

**IN THE  
SUPREME COURT OF THE UNITED STATES.**

**October Term, 1912.**

**No. 311.**

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**THE RUBBER TIRE WHEEL COMPANY AND  
CONSOLIDATED RUBBER TIRE COMPANY,  
PETITIONERS,  
VS.  
THE GOODYEAR TIRE AND RUBBER  
COMPANY,  
RESPONDENT.**

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**On Writ of Certiorari to the United States Circuit  
Court of Appeals for the Sixth Circuit.**

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**BRIEF FOR RESPONDENT.**

Underlying everything presented by petitioners in this case is this essential question:

*Is the decision of this court in Kessler vs. Eldred to be practically abdicated?*

Petitioners can either sue or not sue respondent's customers. If Kessler v. Eldred stands, they cannot

sue them, but will remain enjoined. If *Kessler v. Eldred* fails, petitioners can prosecute such suits against respondent's customers, with all the consequential fatal results to respondent's business. And this on a patent now already expired.

The essential question is, which shall it be.

At present, and as the law now stands, it cannot be. *Kessler v. Eldred* has been the law for six years. What vast interests have been protected by it, and what injury and destruction of business may follow its abdication, we do not know in exact figures, but as patent litigation is vast in this country, and as every important manufacturer has customers running from the hundreds into the thousands, it must be concluded as matter of common sense that enormous litigation and enormous injury to vested business interests have been prevented by the saving power of the salutary doctrine of *Kessler v. Eldred*. We say vested business interests because when a manufacturer has been sued upon a patent and defeats the suit in a final decree, on the ground of no infringement or the invalidity of the patent, a vested right at once attaches to continue, by force of such judgment, in the manufacture and sale of his articles lately involved in the suit. That is the situation in the case a bar. A brief statement of the history of the litigation between petitioners and respondent will suffice to illuminate the situation.

The original suit by petitioners against respondent, based upon the Grant rubber tire patent, was insti-

tuted in 1899 and ended May 6, 1902, in a final decree by the Court of Appeals for the Sixth Circuit holding the patent, on that record, null and void. Mr. Justice Lurton wrote the opinion. Mr. Justice Day and Judge Severens sat with him and concurred in the decision. 116 F., 363.

In October, 1902, this court denied the first certiorari petition petitioners filed to review that decree. 187 U. S., 641.

In 1909, seven years later, this court denied the second certiorari petition by petitioners. 214 U. S., 512.

In October, 1911, nine years later, this court the third time denied such a certiorari petition. 223 U. S., 724.

In June, 1907, petitioners sued the Banner Buggy Company et al. in the United States Circuit Court, Eastern District of Missouri, a customer of respondent. That suit occasioned the filing of the bill of complaint in the suit now at bar. On being served with our notice of a motion for a preliminary injunction to restrain them from prosecuting the buggy suit, petitioners herein filed an answer in this suit *renouncing* the action against the Buggy Company *as to all Goodyear tires* and confining it to other tires dealt in by the Buggy Company. The motion was thereupon not pressed.

In 1908 petitioners instituted an action under the criminal provisions of the laws of Cuba relating to patents against Alvarez & Co., customers of respondent.

ent. Thereupon we filed a motion in the case at bar moving for a preliminary injunction to restrain petitioners from prosecuting the Alvarez suit. This motion was heard and determined by Mr. Justice Lurton, who sustained the motion in principle, but did not grant the preliminary injunction because he took the view that the suit in Cuba was based upon what was, in effect, a Cuban patent, as he did not regard the registration in Cuba of the United States patent to Grant during the American military occupancy of Cuba as, in effect, a United States patent, but rather as a Cuban patent. But in his opinion (164 F., 869), he relied upon the law as laid down by this court in *Kessler v. Eldred*; and the law as expressed in other cases appearing in his opinion. He said:

"This court, as a court of equity, having jurisdiction over the persons of the defendants, may control them, by decree in personam, from doing any act within or without the jurisdiction, at home or abroad, by bringing suit or otherwise, which shall be an interference with the right of the complainant to prosecute its business without interference with the defendants by virtue of the Grant patent. *Cole v. Cunningham*, 133 U. S., 107, 10 Sup. Ct., 269, 33 L. Ed., 538; *Penn v. Lord Baltimore*, 1 Vesey, Sr. 444; *Portarlington v. Selby*, 3 Mylne & K., 104, 106; *Story Eq. Jur.*, Secs. 899, 900." (164 F., 869, 871.)

And Judge Lurton further aptly said:

"That the defendants in this suit are bound by the final judgment in the former suit is not controverted. One effect of that judgment is that, whether that decision was right or wrong, the Goodyear Company is entitled to make and sell

rubber tires free from all interference from the defendant companies by virtue of the Grant patent. Another is that defendants, as the defeated parties in that suit, may be enjoined or restrained from interfering with the business of the successful party by bringing suits based on the same patent against customers of the latter. *Kessler v. Eldred*, 206 U. S., 285, 27 Sup. Ct., 611, 51 L. Ed., 1065." (Ib., 871.)

Here was the *first* application of *Kessler v. Eldred* to the case at bar. That was in 1908. The real question now before this court was decided then, and decided in favor of respondent.

In 1908 petitioners brought still another suit against a customer of respondent, namely, John Doherty, in the United States Circuit Court for the Southern District of New York. Thereupon we renewed substantially the motion made before Justice Lurton, but relating that time to a suit in this country on the Grant patent, itself. This resulted in the decision of his Honor, Judge Sater, sitting in the then Circuit Court of the United States for the Southern District of Ohio, sustaining the motion and enjoining the petitioners from prosecuting the suit against Doherty and from instituting other suits against other customers.

In 1910 this was affirmed by the Court of Appeals for the Sixth Circuit, with the exception that the injunction was modified to confine it to restraining the prosecution of the Doherty suit, there being some question as to how far the evidence showed threats by petitioners to sue other customers at that time. 183 F., 978.



As this court will clearly take judicial notice of suits brought and pending in the several U. S. District Courts, we enumerate the following additional suits brought by petitioners and one of their territorial licensees against other customers of respondent, and now pending and awaiting the decision of this court in the matter now at bar. These additional suits are:

In 1911, petitioners and Hurd, complainants, against James Goold Co., U. S. District Court, Northern District of New York, No. 7291.

In 1911, same complainants against E. Loucks, same court, No. 7304.

In 1911, same complainants against J. E. Sawyer, same court, No. 7303.

In 1911, same complainants against Joseph Le Compte, same court, No. 7299.

In 1913, same complainants against Utterback Bros., same court, No. 85.

In 1913, same complainants against Miner, U. S. District Court, for the District of Vermont.

In 1913, same complainants against Derosia Bros., District of Mass.

In 1911, when petitioners et al. brought this suit against the Goold Company, just referred to above, we again moved the U. S. District Court, Southern District of Ohio, in the case at bar, for another injunction to restrain respondents from prosecuting this suit against Goold. Judge SATER, sitting, took the case under advisement, after oral arguments, and

later handed down his opinion sustaining said motion, and issued an injunction restraining petitioners from prosecuting such suit against Goold. (As yet unreported.) No appeal from that decision was prosecuted by petitioners. But as petitioners only were within the jurisdiction of the Ohio court and the other co-complainant, James D. Hurd, the territorial licensee referred to above, was not within such jurisdiction, being a resident and citizen of Albany, N. Y., such suit against Goold was nevertheless prosecuted. Petitioners and Hurd moved for a preliminary injunction to restrain Goold from selling Good-year tires and Judge RAY sustained the motion, granted the injunction and held that as Hurd was not reached by the injunction restraining petitioners from prosecuting the Goold suit, the action could proceed on his account, treating the petitioners virtually as unnecessary parties. 197 F., 756.

#### **Hurd's Title.**

Doubtless it was error on the part of Judge RAY to hold that Hurd alone could maintain the suit against the Goold Company, in view of the fact that Hurd's title is limited to that of a licensee to do two things, namely, "to put on" and "ship" rubber tires in a certain territory, meaning the right to make and sell. Hurd's title is so stated in the questions certified to this court by the Court of Appeals for the Second Circuit in the case of petitioners and Hurd against Seim & Reissig, and which we understand

will be heard and decided concurrently with the case at bar.

Under *Waterman v. MacKenzie*, 138 U. S., 252, it is clear that Hurd has no title upon which he could maintain a suit independently of the petitioners herein, who hold the legal and equitable title, the legal being held by The Rubber Tire Wheel Company and the equitable by the Consolidated Rubber Tire Company, as recognized by this court in the *Diamond* case, 220 U. S., 428.

Proceeding with the history of the litigation a step further, it should be noted that Judge RAY's injunctive order was vacated in the case against Goold by the Circuit Court of Appeals for the Second Circuit, in view of the pendency before this court of the unanswered questions certified to this court by that court of appeals in the *Seim & Reissig* case just spoken of.

During the taking place of some of the events above enumerated, namely, before the bringing of the suits by petitioners and Hurd against Miner and against Derosia, the patent to Grant *expired*, to wit, on February 18, 1913, which date was the end of the seventeen year term for which it was granted on February 18, 1896.

With the above picture of the litigation against respondent and its customers this court will see that even with *Kessler v. Eldred* in full force and effect for six years last past, it has not been possible to entirely suppress this hurtful litigation against re-



spondent's business, notwithstanding respondent's decree of 1902 and the three certiorari denials by this court. The subterfuge of introducing Hurd as a party complainant has enabled petitioners to practice a technical evasion of the injunctive orders issued against them in the Sixth Circuit. What then may be expected to follow in the way of destructive and enormous litigation in most hurtful interference with respondent's rubber tire business if the salutary principles of *Kessler v. Eldred* are to be abdicated, as in effect proposed by petitioners?

There are thousands of respondent's customers who have been buying tires, in every state of the Union, since the sixth of May, 1912, and since this court refused to review that decree when it denied the first certiorari petition in October, 1902. *The practical question presented to this court, therefore, is whether it is willing, and whether it would be a just and wise rule of law, to legally open the way for petitioners to flood the country with lawsuits, within six years of the expiration of the Grant patent (U. S. Rev. St., Sec. 4921), against the large number of respondent's customers.*

If this were permitted, the trade of respondent would be driven off and intimidated during the next six years, notwithstanding that the Grant patent has expired. If this onslaught of suits is permitted, the Grant patent will be used against respondent and other members of the public, namely, its customers, in a manner to practically prolong its term beyond

the 17 years fixed by law. The maintenance of *Kessler v. Eldred* will prevent this, at least in large measure—will wholly prevent it if this court should reiterate its holding in *Waterman v. MacKenzie* and apply it to this case and in the answers to be given to the questions certified in the *Seim & Reissig* case in respect of the point that, under *Waterman v. MacKenzie*, Hurd, alone, cannot maintain suits on the Grant patent. The nature of Hurd's title is recited in the facts accompanying the questions certified. It is perfectly plain that in answering the question as to whether tires, made under a decree adverse to the Grant patent, can be sold in Hurd's territory, seeing that Hurd acquired his title before such decree, this court may, and probably should, determine the nature of Hurd's title. *Waterman v. MacKenzie* clearly controls his title, and as he is only a limited licensee, his license being confined to the bare right to "put on" or make, and "ship" or sell, he cannot maintain, alone, a suit on the Grant patent. So whether his title was taken after or before such a decree is of no consequence, since by reason of the nature of his title he must depend upon the title of petitioners, and as to them such decree is conclusive and *res adjudicata* as to all tires made and sold by such manufacturer.

**Division of Territory.**

If a patentee were allowed to divide his patent among different territorial licensees, were then allowed to sue the manufacturer and, losing, were allowed to have his licensees sue this manufacturer's customers all over the country, a deplorable condition would result. Yet, this is exactly what petitioners are now doing, even in the face of *Kessler v. Eldred*. They are using Hurd to sue respondent's customers in Hurd's territory after having lost their suit against respondent. If they can do this, and they are doing it, through Hurd, they can do the like in the other territory through other so-called territorial licensees. Moreover, Hurd (or some similar licensee) can even sue respondent direct on the ground that respondent's tires are going into Hurd's territory.

But while they are thus escaping, or have so far escaped *Kessler v. Eldred*, they could not continue this practice of suing customers through Hurd if the sound and simple doctrine of this court in *Waterman v. MacKenzie* were applied to Hurd's title. It ought to be applied. It is clearly applicable. Under that case Hurd could not maintain these actions. Petitioners certainly never intended, when they granted him this limited license, that he should maintain suits on the Grant patent, because, if they had so intended, they would have given him a competent title

for that purpose—a title covering all three instead of two only of the rights exercisable under a patent, the exclusive right to make, to use and to sell in his territory and not merely the exclusive right to make and sell. So we say again, that the mischief now being done, in derogation of the final decree of May 6, 1902, and in disregard of the implied affirmance of that decree by this court having thrice refused to review it, could and would all be prevented by the legitimate and proper application to Hurd's license title of *Waterman v. MacKenzie*.

**No New Rule of Law Needed.**

From the foregoing considerations it is manifest that no further or new rules of law are required to be announced, but only that *Kessler v. Eldred* and *Waterman v. MacKenzie* be applied and enforced. That is all.

We submit that petitioners must show better and graver reasons than the facts of this litigation present before this court will be justified in abdicating or modifying *Kessler v. Eldred*; or of abdicating or modifying *Waterman v. MacKenzie*.

**Right to Sue Maker, User and Seller.**

The right under the statute to sue the maker, user and seller, although it means a concurrent right to sue all three at once or a successive right to sue one such party after another, is subject to the qualification

that in either such case the right to sue the other two falls when a judgment giving satisfaction has been rendered against one such defendant.

In *Birdsell v. Shaliol*, 112 U. S., 485, 488, this court said:

"3. If one person is in any case exempt from being sued for damages for using the same machine for the making and selling of which damages have been recovered against and paid by another person, it can only be when actual damages have been paid, and upon the theory that the plaintiff has been deprived of the same property by the acts of the two wrongdoers, and has received full compensation from one of them."

"By our law, judgment against one joint trespasser, without full satisfaction, is no bar to a suit against another for the same trespass. *Lovejoy v. Murray*, 3 Wall., 1. The reasons are therefore stronger, if possible, here than in England for holding that a judgment for nominal damages against one wrongdoer does not bar a suit against another for a continuance of the wrong."

"Satisfaction, or its equivalent," was recognized in *Lovejoy v. Murray*. Mr. Justice MILLER said there must be satisfaction of its "equivalent." We think a final judgment of invalidity or non-infringement would be such equivalent, in the sense that the complainant will have had his day in court and his right of action tried, and it will have been decided. In such action he has sought to establish validity and infringement. On one or both of these he has lost. Such a judgment must, we think, be considered the equivalent of "satisfaction." Certainly so to make



judgments mutual or of equal benefit to complainants and defendants. Mr. Justice MILLER said :

"But when the plaintiff has accepted satisfaction in full for the injury done him, from whatever source it may come, he is so far affected in equity and good conscience, that the law will not permit him to recover again for the same damages. But it is not easy to see how he is so affected, until he has received full satisfaction, or that which the law must consider as such."

"We are, therefore, of opinion that nothing short of satisfaction, or *its equivalent*, can make good a plea of former judgment in trespass, offered as a bar in an action against another joint trespasser, who was not party to the first judgment." (3 Wall., 1, 17.)

Here the principle is that the owner of the patent, having pursued one such alleged infringer to final judgment and satisfaction, he must not thereafter sue or prosecute an action against either of the other two kinds of alleged infringers. For instance, if a complainant succeeded in an action against, say, a manufacturer, and got satisfaction, he could not thereafter sue or prosecute actions against the seller and user of such manufacturer's goods.

Can any different result be permitted if the complainant loses in the first action, say, against the manufacturer? Are not judgments mutual, and as beneficial to defendants as to the complainants? If so, then, complainant's loss of one such action, say, on the ground of no infringement or on that of the invalidity of the patent, would prevent complainant

from suing either of the other parties to the repeated injury of the manufacturer—as by suing respondent's customers after having sued and lost against respondent itself.

It clearly was in recognition of this general and frequent situation that *Kessler v. Eldred* was promulgated. A manufacturer, having thus defeated a patent in an action involving certain of his goods, was not to be thereafter harassed by suits against his customers. Apply these principles and the case at bar will be decided for respondent.

#### **Privity.**

If there is privity between respondent and its customers, then respondent has an additional ground upon which to restrain petitioners from suing respondent's customers. In *Kessler v. Eldred* the ground is that of the right of respondent to not have its business interfered with. Going a step further, it is clear that if there is privity between respondent and its customers, respondent would be entitled to enforce its decree in the protection of itself and its customers.

*We are not now urging the defense of privity to be advanced by the customer. The customer is not here in this court, but the respondent, the manufacturer, is. We are mindful that in the Kessler case this court specifically reserved the question of the defense by a customer on the ground of privity, but we are looking beyond that and to the case presented by this record, namely, cannot a manufacturer enforce its*

final decree in the interest of itself and its customer, on the ground of privity between itself and the customer, as a ground in addition to that given in the Kessler case for enforcing its decree. We think it can. The Court of Appeals for the Ninth Circuit twice held, before the Kessler case arose, that as between a manufacturer and his customer, the relation of privity existed as to the articles the customer purchased from him. *Norton v. San Jose*, 79 F., 793, and 83 F., 512, 515. Likewise, Judge KOHLSAAT, in *Warren v. DeCamp*, 154 F., 198, based on the early decision of Judge DRUMMOND to that effect in *Lea v. Deakin*, 15 Fed. Cas., p. 95, No. 8154. And this relation exists between Doherty and respondent, because he was its customer. In the first reported Norton case (79 F.) the syllabus states the rule laid down in the text:

"In a suit against a manufacturer of a machine for infringing a patent, a judgment for defendant, on the merits, on the question of infringement, is conclusive in a suit by the same complainants against a purchaser of the identical machine from said manufacturer." (79 F., 793.)

In the second reported Norton case (83 F.) the same Court of Appeals said:

"The appellee purchased its machine from Jensen. It is the same machine as was involved in *Machine Co. v. Norton*. This court held in that case that the machine in question did not infringe upon any of the Norton patents therein involved. 14 C. C. A., 383; 67 F., 236. If the manufacturer of the machine did not, by the making, use, or sale of it, infringe upon any of Nor-

ton's patents, it must necessarily follow that the party who purchased the machine, either before or after the suit in question, cannot be held guilty of an infringement by the use of the same identical machine." (83 F., 512, 515.)

In *Lea v. Deakin*, Judge DRUMMOND, in the Circuit Court for the Northern District of Illinois, said:

"The proof also shows that the plaintiffs filed a bill in chancery in England against the principal of the defendant, Millar, of London, on the ground that he or his company were manufacturing the very species of sauce which is the subject of controversy in this case, asking for an injunction to restrain him from such manufacture, and from using the term 'Worcestershire Sauce,' they claiming that they had the right to it as a trade-mark, and that no one else could use it without their consent, and also asking for an accounting from the defendant. The case was heard by the master of the rolls, Sir George Jessel, and fully considered by him in 1876, and the injunction was refused and the bill dismissed. See *Sebast. Trade-Marks*, 305; *Seton*, Dec. (4th Ed.) 242. There was no appeal from this decree; on the contrary, it seems to have been acquiesced in by the plaintiffs. I see nothing in the record to raise a doubt that the case was decided on its merits. I think, therefore, that case is a bar to the action of the plaintiffs. They brought the suit against Millar, the principal of the defendant in this case on the very subject-matter of controversy here; they asked for an injunction for the same reasons that the injunction is asked here, and for substantially the same general relief. It was refused by the master of the rolls, and the bill dismissed. Deakin, the defendant here, has acted for Millar, the defendant in that case. *It would be an anomaly if it were true that Millar*

*could manufacture and sell his sauce in England, and at the same time Deakin, who sells it here, and obtains it from him, could be restrained here at the instance of the plaintiffs from selling it."*  
(15 Fed. Cas., 95.)

This court cited *Lea v. Deakin*, with approval, in *Hilton v. Goyot*, 159 U. S., 113, 170, on the point of the extra territorial effect of judgments *in personam* at law and in equity, holding that if a foreigner sue a citizen or a citizen sue a foreigner, both are equally bound by a judgment *in personam*.

Then, more lately, Judge KOHLSAAT cited and followed Judge DRUMMOND's decision in the case of *Warren Featherbone v. DeCamp*, 154 F., 198, a patent suit. The facts and conclusions are thus given by Judge KOHLSAAT:

"This suit is brought to restrain defendants from infringement of patent No. 559,827 \* \* \*. The bill was filed February 5, 1904. Previously, and on December 15, 1902, complainant herein brought suit upon the same patent against the American Featherbone Company for infringement \* \* \* decided by the Circuit Court of Appeals \* \* \* August, 1905, in which the patent was declared invalid \* \* \*, reversing the Circuit Court and ordering the bill dismissed for want of equity. \* \* \*"

Then, after reciting other facts showing that DeCamp and others were sales agents of the American Featherbone Company, and consequently in privity with it, Judge KOHLSAAT further said:

"From the foregoing, it is evident that defendants were the sales agents of the American



Featherbone Company, and in privity with it. It is a well-established principle of law that, where the subject matter of a cause has been once determined in a court of final jurisdiction by a final decree, not procured by fraud or collusion, another suit cannot be maintained between the same parties or their privies on the same cause of action, if the question of *res adjudicata* is properly raised by the pleadings. *Pratt v. Griffin*, 223 Ill., 349, 79 N. E., 102; *New Orleans v. Citizens Bank*, 167 U. S., 371, 17 Sup. Ct., 905, 42 L. Ed., 202; *Cromwell v. Sac. Co.*, 94 U. S., 351, 24 L. Ed., 195.

"Undoubtedly, the act of an agent constitutes a separate infringement, and subjects him to an independent suit, and had the American Featherbone Company been held liable on the former action, or had that suit not been disposed of upon the merits, defendants, if found to be infringers, could have been held in the present suit. That, however, is not the question here. *As between complainant herein and defendants' principal, the patent in suit has been adjudicated void. Manifestly, complainant herein could not again pursue the American Featherbone Company upon the same subject matter. It is plainly res adjudicata. Under the decisions, that defense inures to the benefit of those in privity with the latter company.* That defendants are in privity with the American Featherbone Company, and entitled to the benefit of the former adjudication, seems incontestable. In the case of *Lea et al. v. Deakin*, 11 Biss., 23, Fed. Cas. 8, Judge DRUMMOND held that a decree rendered by the Master of the Rolls, in England, refusing an injunction, and dismissing a bill in equity brought against the principal of the defendant in the case before Judge DRUMMOND to restrain the infringement of an alleged trade-mark, and which was not appealed from, was a complete bar to a suit

in this country for the same purpose by the same complainants against the agent of the defendants in the English suit." (P. 199.)

The court next points out that defendant, DeCamp, became the agent of the American Featherbone Company subsequent to the institution of the suit against that company. In the case at bar the record (p. 23) shows that Doherty became the customer of respondent in 1907, while the original action against the Goodyear Company was finally decided by the decree of May, 1902. Thus the ingredient, that, in order to be a privy, one must have come into that relation to the principal after the institution of the action against the principal, is supplied in this case.

Thus under these well considered decisions of the several judges of the Court of Appeals of the Ninth Circuit and of Judge DRUMMOND and Judge KOHL-SAAT, it is clear that where one party buys and sells or deals in the goods of a manufacturer, he holds the relation of privy and, as such, is entitled to the benefits of a final judgment rendered in a case between his principal and a complainant who afterwards sues him.

*We submit, therefore, that it is, and should be, equally true in law that such manufacturer or principal can enforce his rights as one of the parties to this relation of privy by enjoining the prosecution of suits brought against his customer or agent in privity with him, where such suit is a repetition, as in the case at bar, of the former litigation and affects*

*his interests adversely, as by interfering with his business in the subject matter of the former litigation.*

So we here invoke not only the doctrine of res adjudicata, as between petitioners and respondent, but also the doctrine of privity between respondent and its so-called agents or customers. Judge DRUMMOND would not allow the agent or customer to be sued in Illinois after the principal had successfully defended against the same complainant as to the same subject matter in England. Judge KOHLSAAT would not allow the agent or customer to be sued after the principal had been similarly sued and had defeated the action by showing the invalidity of the patent. It is true that in those cases the objection to the maintenance of the suit was raised by the agent or customer when sued, while in the case at bar the same result is being sought by the interposition of the principal or manufacturer by the more direct route of a bill to restrain suits against all of the customers, which is a better method than to allow a flood of suits against hundreds or, perhaps, thousands of customers, each to be defended under the doctrines of privity. The result, however, is the same in either case, namely, the defeat of the suits against the customers or so-called agents, with the advantage that by the injunction route one action suffices. We appeal to this court to recognize what is here submitted. It is clearly sound in and of itself; and if *Kessler v. Eldred* is to stand unimpaired and unabdicated, then what is here urged is but asking the continued application of the *Kessler* case to the one at bar.

As illustrating how this court has already stood ready to apply the doctrine of *res adjudicata* in a liberal and effective way, to produce practical results, we beg to cite *Johnson Co. v. Wharton*, 152 U. S., 252. In that case plaintiff sued defendant to recover stipulated patent royalties. The defendant set up that its articles were not covered by the patent embodied in the license. Defendant lost. But the amount was not sufficient to permit a review by this court. Plaintiff then sued defendant again for further royalties, and defendant set up the same defense and no other. This time the amount involved was sufficient and this court held that the subsequent action was barred by the first. See also *U. S. v. Hubbell*, 171 U. S., 203.

Therefore, as the action of petitioners in suing respondent's customers *reacts against respondent's business* to its injury, respondent is entitled, by reason of its relation of privity with its customers, to restrain the prosecution of such suits to prevent irreparable loss due to such reaction.

**PETITIONER'S POSITION.****Conflict.**

We understand petitioners will urge seeming conflict between the application of *Kessler v. Eldred* by the Court of Appeals of the Sixth and Second Circuits. Also that the courts of the former unduly extended the doctrine of the *Kessler* case. But there is no conflict; and there has been no extension of the doctrine. In the Second Circuit the court said, "Inferior courts should be cautious about extending the principle enunciated in that case (*Kessler v. Eldred*) beyond the limits in which it was there applied." In the Sixth Circuit both the lower and upper courts simply applied the doctrine of the *Kessler* case to the case at bar by enjoining petitioners from suing respondent's customers. In the original *Kessler* case the judgment was non-infringement by the manufacturer. In the original *Goodyear* case the judgment was invalidity of the patent. Under either decree the manufacturer's goods were placed beyond the reach of the patent sued on. In other words, in both cases the decrees adjudged that these goods could be continued to be made and sold. Suits against customers thereafter brought are equally hurtful whether the manufacturers defeated the original suits against them on the ground of no infringement or invalidity of the patent sued on. In either case they hold the



equal right not to have their business interfered with. The doctrine enunciated by this court in the Kessler case, therefore applies in either case and to the Good-year case. Mr. Justice LURTON so understood the matter when he wrote his opinion on our motion referred to above. Likewise, Judge SATER so understood and acted. And our Court of Appeals, Judges WARRINGTON, SEVERENS and KNAPPEN took and held the same view. There certainly was no extension of the Kessler doctrine by these five judges. Equally certain is it that there was no conflict between their rulings and the mere suggestion by the Court of Appeals in the Second Circuit that "Inferior courts should be cautious about extending the principle enunciated" in the Kessler case. The case at bar and the Kessler case are substantially identical, for in the two cases the averments, purposes and prayers of the bills are precisely parallel. Indeed, the bill in our case was drawn from and patterned after the Kessler bill, itself.

#### **Wire and Channel Men.**

We apprehend petitioners will argue that they ought to be allowed to sue respondent's customers who have bought only rubber from respondent and their wire and channel iron from others. They will say that to enjoin them from suing such customers, will, in effect, allow the wire and channel men to escape. But there is a simple answer to this. If the wire and channel men have heretofore committed any infring-

ing act by supplying respondent's customers with wire and channel, in those cases where the customer did not buy the wire and channel, or either from respondent, then petitioners can sue them for such infringing acts. *It is not necessary to sue respondent's customers in order to reach the wire and channel men.* But the fact that they have heretofore sued only our customers in this connection shows conclusively that the real motive has been to interfere with respondent's trade in derogation of the decree of May, 1902. And they now wish to continue in this disregard of that decree—to continue in this expensive and breaking-down interference with respondent's business, by continuing such suits. Note above the several suits they have brought *since* the patent expired.

We may add that the record shows Doherty bought wire as well as rubber from respondent. See the affidavit and bill of sale by Mr. Measure. Rec., 34, 3rd line from bottom; p. 35, 5th line from bottom. The rubber, however, is the only part manufactured by petitioners and respondent. It is the "principal feature" and the substance of the tire (Rec., 24, line 4), so far as the Grant patent is concerned.

Wire and channel are common commodities, kept as stock by rolling mills, and useful for other purposes, particularly the wire. There is no known instance or reported case, however, of petitioners ever having sued the suppliers of wire or channel irons throughout the seventeen years of the Grant patent, although it has long been the trade practice for customers of respond-

ent and other rubber tire makers to buy the rubber from the rubber companies and some or all of their wire and channel irons direct from the rolling mills. Mr. Seiberling, president of respondent, testified in his first affidavit that up to that time (September, 1908), Doherty "had bought from this company rubber tires manufactured at its factory in Akron, Ohio, of the same kind as involved in the original suit between" petitioners and respondent and that "the rubber tires so sold by this company to said Doherty consisted of the tires proper, that is to say, the rubber tires themselves." (Rec., 23, 24.) "I further say that the custom pursued with said John Doherty is exactly the same pursued with the other United States customers of this company before, during and since the former suit between" petitioners and respondent. "It being also true that the customers of all the rubber tire companies buy some of their wire and channel irons from outside dealers in these articles." (Rec., 33.)

From these circumstances, petitioners argued in the federal courts in Ohio, and we presume will argue again, that the business done with Doherty, being generally confined to the rubber alone, is not covered by the decree of May, 1902, but we can see no point in such a contention. Touching this, Judge SATER said:

"The Appellate Court of this circuit having declared the Grant patent void, each and every claim and each and every element of every claim set forth in it must be regarded as conferring no right whatever on the defendants, or either of

them, as against the complainant. The Grant letters are not, in consequence of such decree, susceptible of infringement by the complainant, by its device, or by any part or parcel thereof. As against the defendants, the complainant may use its tire, or any part thereof, in such manner as it chooses, because they have no right under the Grant patent which complainant may not freely exercise. The court's decree was a withdrawal from defendants, as against complainant, of all protection and exclusive rights claimed by them under that patent, and unalterably fixed the rights of the parties to this, as well as to that suit.

"Have the defendants, by bringing suit against one of complainant's customers, violated its rights? If they may maintain one suit, they may maintain others, and thus by harassing complainant's customers, diminish its sales, as no one will care to buy complainant's device, or any part of it, if in so doing he buys a lawsuit. The *complainant's right is that its customers shall not be disturbed.* (*Italics ours.*) Its right to use its device as an entirety, or the elements thereof singly, without molestation, would be of little value if its customers may not enjoy the same privilege. If the complainant may vend, or use, the whole or any part of its patented device, as it may do so as against the void patent, regardless of any claims asserted by defendants, it would seem logically to follow that the defendants may be enjoined from interfering with the business of the complainant by bringing suit based on such void patent against complainant's customers, whether the business conducted with those customers is the vending to them of the whole of the patented tire, or some one or more of the elements which enter into it. *Goodyear Tire & Rubber Co. vs. Rubber Tire Wheel Co.*, 164 Fed. Rep., 869. The rights of the parties, as fixed by final judgment of the Appellate Court of

this Circuit, must be recognized by them in every way whenever that judgment is entitled to respect. Having the right to vend its product as an entirety, or in parts, without hindrance from defendants, *it is not required to sit idly by witnessing the destruction of its trade with no recourse save an action for damages.* Whether the complainant has sold this or that element of the device described in its letters patent with the intent and purpose that such element should be used in combination with other elements covered by the Grant patent, is immaterial, because as against the complainant there is no Grant patent."

This reasoning would seem to be unanswerable; it is focused alike upon the finality of a final decree, and the right under *Kessler v. Eldred* not to be interfered with in one's business by parties bound by such decree. The Court of Appeals for the Sixth Circuit expressed the same conclusion, saying:

"It appears that the appellee in fact both before and at the date of the Grant patent conducted the business, and that it has ever since then maintained the business of manufacturing and selling *rubber* tires. Manifestly that *business*, irrespective of the wire and rim trade, must be impaired if the appellants are to be allowed to prosecute suits against appellee's customers for rubber tires.

"\* \* \* The present appellee's right as against appellants to make and sell solid rubber tires, metal rims, and wire was adjudged to be unaffected by the Grant patent because it was invalid and void. The inevitable effect of the final adjudication, as between these parties, was, we think, to restore appellee to the same rights respecting the sale of its tires that it would have



possessed had the Grant patent never been issued. To say anything less than this—to say that appellee may sell all the elements of the Grant patent as an entirety but may not sell them separately—is to deny to appellee in regard to a void patent a privilege equivalent to that accorded to a licensee under a valid patent to use less than the whole of the patented device (*Young v. Foerster*, [C. C.], 37 Fed., 203, 204), or to a purchaser of a valid patented device to use as part of it an unpatented article (*Morgan Envelope Co. v. Albany Paper Co.*, 152 U. S., 425, 433, 14 Sup. Ct., 627, 38 L. Ed., 500). It follows that appellee's right as against appellants to make sales of any or all of the articles comprised in the Grant patent is at last referable to that principle which recognizes an absolute power in every man to dispose of his own property. The sanction then of any result of the former judgment which necessarily hampers and injures the successful party to the suit in the prosecution of its business would be at once illogical and unjust.

"It is manifest that the elements of the Grant patent and the rights of the parties in respect of each of those elements, as well as the combination, were involved in the issues of the original case in the sense that they were heard and adjudged on their merits; and consequently the subject matter of the former suit and judgment must in accordance with familiar principles be held to have included the subject matter of this suit." (183 F., 978, 982, 983, 984.)

And back of these sound conclusions were the observations of Justice LURTON, quoted *supra*, interpreting *Kessler v. Eldred* in the light of much earlier decisions of this court, which he cites. As the decree of May, 1902, between these parties, left no part of the claims of the patent valid, then it is immaterial,

as to respondent's "right to be let alone," whether the customers bought the particular wire and channel or only the more important part, the rubber, from respondent, because in any case, the ultimate effect of suing Doherty is the same, namely, to stop Doherty from buying rubber from the respondent, thus setting up a destructive interference with respondent's rubber tire business.

Moreover, even conceding everything else (which of course we do not do), still respondent's rubber ought to be free in cases where rubber alone is bought, so that a customer using respondent's rubber should not be sued as to it.

#### **Old License Contract.**

There was a temporary license between petitioners and a number of manufacturers, operating from August, 1903, to August, 1904. It appears at page 16 of the record. We apprehend petitioners will refer to it as showing some sort of waiver on the part of respondent of its rights under the decree of May, 1902, respondent having signed that agreement. But the instrument specifically avoids any such consequences, if any such waiver could be said to follow from it, by, in direct terms, reserving all legal rights and the then legal status of all the parties. As touching this the Court of Appeals for the Sixth Circuit, in sustaining Judge SATER's injunctive order, said:

"In respect to the license agreement, it is sufficient to say that it was entered into expressly without prejudice to the rights of any of the

parties in August, 1903, for one year, and was neither renewed nor observed thereafter. If the agreement was not invalid on its face, which we do not decide, we are unable to see how anything done in pursuance of it could, as claimed, estop appellee [respondent] from insisting upon the observance of the right adjudged in its favor in the former suit." (183 F., 984.)

The section of the license agreement referred to by Judge WARRINGTON in the above quotation reads as follows:

"III. It is hereby mutually agreed by and between the parties hereto that this license agreement shall in no way prejudice either of the parties hereto, but that the legal status of the parties existing prior to the execution of this agreement shall remain unaffected by this agreement in every respect." (Rec., 17, 18.)

This would seem sufficient to dispose of any now attempted use of this old temporary arrangement.

#### **Diamond Case.**

It may be urged that the Grant patent was sustained by this court in the Diamond case, 220 U. S., 428, after it was declared void in the Goodyear case. But as the records were different; as this court denied one of petitioners' certiorari petitions to review the Goodyear judgment (214 U. S., 512), after it allowed the certiorari petition in the Diamond case, but before it decided that case, and as it denied the last of petitioners' certiorari petitions for that purpose

(223 U. S., 724), *after* it decided the Diamond case, it must be assumed that this court has accepted that judgment as just between petitioners and respondent on that record. Moreover, as respondent was in no wise connected with the Diamond suit, any such suggestion is out of place in this proceeding.

Respectfully,

H. A. TOULMIN,  
Counsel for Respondent.

April, 1913.

Petitioners' brief was not filed as per the rule of court, but only a few days before the hearing. Respondent's brief was filed in accordance with the rule and was prepared before petitioners' brief was filed.

The whole argument of petitioners rests on the claim that Doherty "manufactured a rubber-tired wheel." Not so. The record shows:

(1) Doherty made no wheel at all. The wheel was brought to him by an unknown person, who requested him to apply a Goodyear tire.

(2) Petitioners' manager then called and directed Doherty to buy wire from some one other than the Goodyear Company. He thereupon bought it from Rutherford.

(3) The manager also directed him to buy channel iron from some one other than Goodyear. He thereupon bought it from Goodrich.

(4) Petitioners paid Doherty for this labor and these materials. He did it all at their expense.

(5) Doherty was a small rubber tire repairer, in a basement, with no machinery except a machine furnished him by petitioners for applying the rubber to channel irons. He had no means of applying channel irons to wheels.

These facts appear at pages 30-1 and 36-7, Record, and in Judge Sater's findings, upper half page 39. They are undisputed. Petitioners' brief is cautiously silent on these subjects.

#### *Conclusion.*

It is mere sham, therefore, to claim that Doherty was a manufacturer of rubber-tired wheels.

It is not conceded that Goodyear tires would infringe the Grant patent. That statement at page 9 petitioners' brief is challenged.

The statement at page 12 that Doherty prepared this wheel with "his own machinery at his own expense" is wholly untrue. See the facts above.